

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Liu, et al. Analyst: Roger Lackey Bill Number: AB 1885

Related Bills: See Prior Analysis Telephone: 845-3627 Amended Date: 04-29-2002

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Health Plan Coverage/Amounts Paid For Continued Group Health Plan Coverage Credit

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED

☒ February 5, 2002, STILL APPLIES.

OTHER – See comments below.

SUMMARY

This bill would allow a credit for taxpayers electing to continue group health plan coverage under COBRA.

SUMMARY OF AMENDMENT

The April 29, 2002, amendments limited the credit to 25% of the eligible amount paid or incurred by the taxpayer. The amendments also revised the credit to apply to taxable years beginning on or after January 1, 2002, and before January 1, 2003. In addition, the amendments added new coauthors to the bill.

As a result of the amendments, the department's policy consideration regarding the credit being equal to 100% of the costs associated with the credit no longer applies. A new revenue estimate is included below. The remainder of the department's analysis of the bill as introduced February 5, 2002, still applies.

POSITION

Pending.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Legislative Director

Date

Brian Putler

5/9/02

Revenue Estimate

The revenue impact of this measure, under the assumptions discussed below, is estimated to be as follows in applied credits:

Revenue Impact of AB 1885 Tax Year Beginning In 1/1/2002 Enactment Assumed After 6/30/2002 (In Millions)			
	2002-3	2003-4	2004-5
Revenue Impact	(\$15)	(\$2)	(\$2)

This analysis does not account for changes in employment, personal income, or gross state product that could result from this measure.

Revenue Discussion

The amendment reduced the percentage of qualified credits from 100% to 25% and the sunset date from January 1, 2006 to January 1, 2003. The estimate has been adjusted accordingly. It is projected that for the 2002 tax year there will be approximately 15,000 full-time equivalent employees claiming an average tax credit of \$1,000. The revenue impact beyond the 2002 tax year is solely due to the carryover provision.

LEGISLATIVE STAFF CONTACT

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